

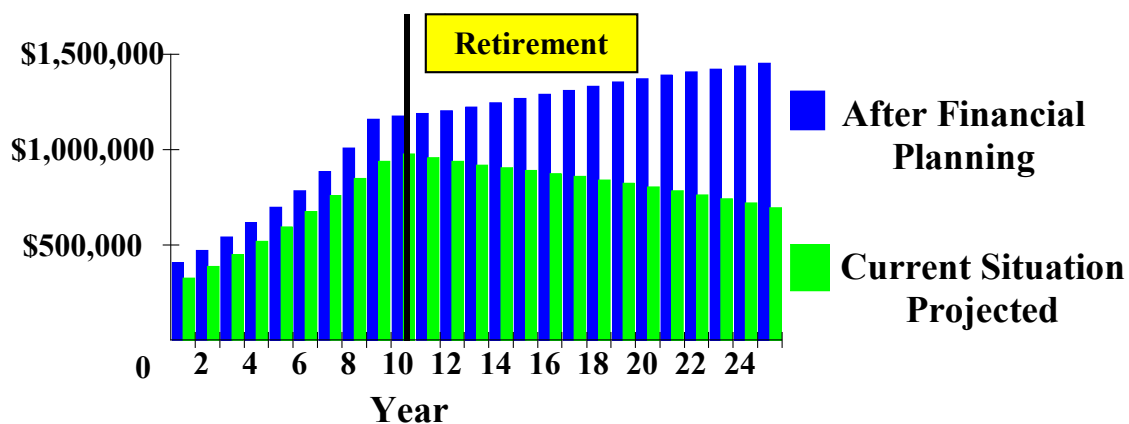
## WHAT IS FINANCIAL PLANNING?

Financial planning is the process of meeting your life goals through the proper management of finances (eg saving for overseas trip, buying a home, saving for children's education, managing debt or planning for retirement).

**Comprehensive financial planning is far more than investment recommendations.** A thorough analysis of your financial status, needs and objectives is required before a plan is prepared that strengthens your financial position. Before finalising the Plan, people should carefully examine the options and consequences of various courses of action. A range of data is provided, so people can make an informed decision.

A fictitious case study demonstrates the benefits of financial planning. Consider a couple earning combined \$120,000 pa and have investment savings of \$265,000. Net disposable income is \$40,000 pa. They are 10 years from retirement and seek \$40,000 pa when retired.

The following chart shows a 25-year projection of their **current financial situation, compared with investment savings expected after financial planning.**



We see that Financial Planning increases the projected assets in the period before retirement, and minimises the run down after retirement.

**How was this achieved?** A number of strategies were proposed:

- Re-organise ownership of current assets to minimise taxation, particularly when retired
- Salary sacrifice the appropriate amount to superannuation
- Invest savings in more growth-oriented funds to enhance returns
- Restructure debts (using mortgage broker to reduce interest rate of non-deductible debt)
- Restructure current share portfolio
- Setup gearing loan, using house as security and claim tax deduction for interest payments
- Savings capacity of \$200 each month directed into the investment portfolio

**And... take out personal insurances to protect Plan against death and disability.**

Depending on people's situation, goals and timing, many other strategies could have been considered.

***The bottom line is that Financial Planning is a significant Value-Add process.  
It pays to get good advice.***